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## City of Detroit

### CITY COUNCIL

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TO: Loren Monroe, Auditor General  
FROM: Irvin Corley, Jr., Fiscal Analysis Director  
DATE: April 30, 2007  
RE: 2007-2008 Budget Analysis

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Attached is our budget analysis regarding your department's budget for the upcoming 2007-2008 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Pamela Scales, Budget Director  
Ron Chenault, Budget Department  
Roger Short, Finance Department  
Kandia Milton, Mayor's Office

## Auditor General (50)

### FY 2007-2008 Budget Analysis by the Fiscal Analysis Division

#### Summary

The Office of the Auditor General (OAG) is a Legislative General Fund Agency.

The recommended 2007-2008 budgeted appropriations total \$3,090,670 including \$131,054 for the Risk Management Council. The agency's net tax cost is \$3,090,670, which is \$338,508 more than the 2006-2007 FY. The increased net tax cost is due primarily to the elimination of \$250,000 in revenue from the OAG's 2007-08 budget.

The Mayor recommends no change in budgeted positions.

#### 2006-2007 Surplus/(Deficit)

A surplus of \$70,000 is projected for the OAG for the current fiscal year ending June 30, 2007. The surplus is due to an appropriations surplus of \$320,000 due to vacancies, offset by a \$250,000 revenue deficit from an interagency audit billing for services conducted by external auditor, KPMG, unpaid by departments.

#### Overtime

The Mayor's Proposed Budget has \$20,000 budgeted for overtime which is a \$1,000 (5.26%) increase from the 2006-2007 FY. Year-to-date overtime costs are approximately \$13,000.

#### Personnel and Turnover Savings

The Mayor anticipates \$258,713 in turnover savings for this agency. The turnover savings based on six months of savings on five (5) vacant positions includes \$177,292 in appropriation 00261 Auditing Operations and \$81,421 in appropriation 11195 Risk Management Council.

Following is information by appropriation comparing budgeted FY 2006-07 positions, March 31, 2007 filled positions and FY 2007-2008 recommended positions.

Appropriation/Program	Budgeted Positions FY 2006-07	Filled Positions 3/31/2007	Mayor's		Mayor's Recommended Turnover
			Budget Positions FY 2007-08	Over/(Under) Actual to 06/07 Budget	
<b>Auditor General (50):</b>					
500010 Admin. & General Office	5	5	5	0	\$ -
500020 Auditing-Operations	16	11	16	(5)	\$ -
<b>00261 Auditing Operations</b>	<b>21</b>	<b>16</b>	<b>21</b>	<b>(5)</b>	<b>\$ 177,292</b>
<b>11195 Risk Management Council</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>(2)</b>	<b>\$ 81,421</b>
<b>TOTAL</b>	<b>23</b>	<b>16</b>	<b>23</b>	<b>(7)</b>	<b>\$ 258,713</b>

### Significant Changes in Funding by Appropriation

<u>Appro.</u>	<u>Program</u>	
0261	Administration	The Mayor's Proposed Budget for this appropriation increases by \$78,087. The increase is due to primarily to a \$190,000 increase in org 50-0020 Auditing-Operations, consisting of a \$146,000 increase in Auditing for the costs associated with the increase in 2007 for the KPMG single audit, a \$53,222 increase in salaries-fulltime, offset by a \$7,917 reduction in employee benefits and the elimination of \$800 for employee parking. The increase in org 50-0020 are offset by a \$112,418 decrease in org 50-0010 Administration & General Office, due primarily to a \$70,316 reduction in salaries-full time and employee benefits decreases.
11195	Risk Management Council	This appropriation increases by \$10,421 due to a \$50,000 increase in Auditing, in order to secure a subject matter expert to perform a citywide risk management audit. The increase is offset by a \$40,000 decrease in salaries and benefits.

### **Auditor General (50)**

Budgeted Professional and	FY 2006-07	FY 2007-08	Increase
<u>Contractual Services by Activity</u>	<u>Budget</u>	<u>Recommended</u>	<u>(Decrease)</u>
Auditing Operations	\$ 526,000	\$ 722,000	\$ 196,000
<b>Total</b>	<b><u>\$ 526,000</u></b>	<b><u>\$ 722,000</u></b>	<b><u>\$ 196,000</u></b>

Professional contractual services increase by 196,000 (37.26%) in the 2007-08 FY. The increase includes a \$146,000 increase for the KPMG single audit and a \$50,000 increase for a citywide risk management audit.

### Significant Revenue Changes by Appropriation

00261	Auditing Operations.	The Mayor has eliminated this \$250,000 revenue appropriation from the OAG budget in the 2007-08 FY. This item, which covers the reimbursement of auditing services by KPMG will now be submitted directly to the applicable departments and not reflected in the OAG budget as revenue. This is consistent with OAG's request.
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### Issues and Questions

The Mayor has recommended a \$70,000 reduction in salaries-full time in Administration & General Office. How will this reduction impact the daily operations of the OAG?

**(Pg. 50-3) Auditing Operations Measures and Targets**

<b>Outputs: Units of activity directed towards Goals</b>	<b>2004-05 Actual</b>	<b>2005-06 Actual</b>	<b>2006-07 Projected</b>	<b>2007-08 Target</b>
Reports on Audits of Financial Transactions	6	16	19	21

- The performance measures for the activity listed above has continually increased since the 2004-05 FY. Is the OAG currently performing in line with the 2006-07 projections?

<b>Outputs: Units of activity directed towards Goals</b>	<b>2004-05 Actual</b>	<b>2005-06 Actual</b>	<b>2006-07 Projected</b>	<b>2007-08 Target</b>
Claims hearings	82	81	81	50

- The performance measures for claims hearings is targeted to decrease significantly in the 2007-08 FY (38.27%). What is the rationale for the decrease? Are the number of appeals of the Law Department declining?

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